



STATE OF IOWA

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DEPARTMENT OF HUMAN SERVICES
KEVIN W. CONCANNON, DIRECTOR

INFORMATIONAL LETTER 718

DATE: June 2, 2008

TO: All Hospitals Participating in Iowa Medicaid

ISSUED BY: Iowa Department of Human Services, Iowa Medicaid Enterprise

RE: IME Changes Affecting Hospital Providers

The Iowa Medicaid Enterprise is issuing this notice to all participating hospitals to inform them of three important upcoming changes. These changes will occur in the near future and have significant impacts on participating hospitals.

1. APC payment methodology: The IME will be changing from the current APG (ambulatory payment group) methodology for pricing outpatient claims to the use of the APC (ambulatory payment classification) methodology. This will make Medicaid payments more consistent with Medicare. The IME has been in communication with the Iowa Hospital Association on this topic for some time. The anticipated effective date of the change will be **July 1, 2008**. Specific details of the implementation will be communicated by the IME as the effective date approaches.

Note: Critical Access Hospitals (CAH) will be exempt from the APC methodology (described above) but not exempt from the related NDC requirement (described below). CAHs will be reimbursed through interim payments based on a percentage of charges for outpatient services and retrospectively cost settled.

2. NDC required on J code drugs: One notable change for hospitals with the implementation of APC pricing will be the simultaneous requirement that providers report NDCs for "J code" drugs. The Federal Deficit Reduction Act of 2005 requires that Medicaid cannot reimburse claims for outpatient or clinic J code drugs unless the drug's NDC is part of a rebate agreement with CMS. Under APG, all J codes are bundled into the payment making them exempt from this requirement. This is not the case for APC, so the NDC must be provided for all J code drugs on an outpatient claim. This requirement applies to all hospitals enrolled in Iowa Medicaid, including CAH. *The second page describes how to report the NDC on your claims.*

3. Hospital Re-Base and Re-Calibration: The Iowa Medicaid Program currently uses a diagnosis-related-group (DRG) prospective rate payment methodology for reimbursing general hospitals for inpatient care services. As explained previously, the APG prospective rate payment methodology for reimbursing outpatient care services will change to the APC methodology effective July 1, 2008. The Iowa Administrative Code requires these rates and the associated relative weights of each of the DRG and APC categories be re-based and re-calibrated, respectively, every three (3) years. The last re-base and re-calibration was effective for services performed on or after October 1, 2005. The next re-base and re-calibration will have an effective date of October 1, 2008 for inpatient care services and January 1, 2009 for outpatient care services.

At this time, the effective dates of both the APC implementation and the outpatient rate re-basing **are tentative**. Note that it is certain that the inpatient (DRG) re-basing will be effective October 1, 2008. Once plans are finalized for each event, the IME will communicate the details.

Reporting NDC: Iowa Medicaid is aware that many hospital systems are not currently prepared to provide an NDC on a UB claim form (and that there is not a Medicare requirement to do so). This notification is intended to give hospitals an opportunity to prepare for the upcoming effective date.

- **On the UB-04** form the NDC is entered in form locator 43 “description” area; enter qualifier “N4” followed by the 11 digit NDC.
- **On the electronic HIPAA Transaction (837i)** the NDC number is in loop 2410 that directly follows the HCPCS code.

It should be noted that many NDCs are displayed on drug packaging in a 10-digit format. Proper billing of an NDC requires an 11-digit number in a 5-4-2 format. Converting NDCs from a 10-digit to 11-digit format requires a strategically placed zero, dependent upon the 10-digit format. The following table shows common 10-digit NDC formats indicated on packaging and the associated conversion to an 11-digit format, using the proper placement of a zero. The correctly formatted additional "0" is bolded in the following example. Note that hyphens indicated below are used solely to illustrate the various formatting examples for NDCs. **Do not use hyphens when entering the actual data.**

10-Digit Format on Package	10-Digit Format Example	11-Digit Format	11-Digit Format Example	Actual 10-Digit NDC Example	11-Digit Conversion of Example
4-4-2	9999-9999-99	5-4-2	0 9999-9999-99	0002-7597-01 Zyprexa 10 mg Vial	0 0002-7597-01
5-3-2	99999-999-99	5-4-2	99999- 0 999-99	50242-040-62 Xolair 150 mg Vial	50242- 0 040-62
5-4-1	99999-9999-9	5-4-2	99999-9999- 0 9	60574-4112-1 Synagis 50mg Vial	60574-4112- 0 1

Rebateable Drugs: NDCs of the J codes submitted to IME will cross-reference against the current CMS rebateable drug list; those on the rebate list will be reimbursed and those not on the rebate list will be denied. The current and past rebate listings are posted on the IME website at <http://www.ime.state.ia.us/Providers/DrugList.html>. The list is updated once per quarter and becomes effective on the posting date. The IME has created an FAQ based on questions received from providers regarding NDCs and can be found at <http://www.ime.state.ia.us/Providers/index.html>. The questions and answers are located in the Important Provider Announcements section.

If you have any questions please contact IME Provider Services at 1-800-338-7909 or locally in Des Moines at 515-725-1004 or by email at imeproviderservices@dhs.state.ia.us.